

TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

APRIL 6, 2015
2:30 p.m.

MEASURE: H.C.R. No. 227, H.D. 1 / H.R. No. 158, H.D. 1

TITLE: Requesting the Public Utilities Commission to Protect the Public Interest in
Reviewing the Proposed Acquisition of Hawaiian Electric Industries by
NextEra Energy, Inc.

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

DESCRIPTION:

These resolutions request that the Public Utilities Commission (“Commission”) protect the public interest in reviewing the proposed acquisition of the Hawaiian Electric Companies (“HECO Companies”) by NextEra Energy, Inc. (“NextEra”). These resolutions also request that the Commission consider, at a minimum, imposing strict conditions on the approval of the proposed acquisition to ensure certain principles. These resolutions also urge the Commission to adopt the recommendation of the Consumer Advocate to establish a procedural schedule that would have the regulatory review process completed by June 2016 to allow for a complete and thorough review of the concerns raised by the merger application docket.

POSITION:

The Commission offers the following comments for the Committee’s consideration.

COMMENTS:

On April 1, 2015 the Commission established the following initial procedural schedule to govern discovery and the prefiling of testimony for the proposed HECO-NextEra change of control (See Order No. 32739, Docket No. 2015-0022):

	Date
Direct Testimony Of Applicants In Support Of Their Application	April 13, 2015
Answering And Direct Testimony Of Intervenors	July 20, 2015
Answering And Direct Testimony Of The Consumer Advocate	August 10, 2015
Responsive Testimony By Applicants Limited To Responding To Answering And Direct Testimony By The Intervenors And Consumer Advocate	August 31, 2015

Once the Commission has received and reviewed the prefiled testimony pursuant to the above schedule, the Commission will issue a further order concerning hearing dates and related matters, including setting the timetable for the public listening sessions and scheduling the dates for the contested case hearing (after the public listening sessions).

After inviting the Parties to comment upon the Commission's initial list of issues, the Commission established the following as the list of issues to be addressed in the prefiled testimony:

- 1) Whether the proposed transaction is in the public interest.
 - a. Whether approval of the proposed transaction would be in the best interests of the State's economy and the communities served by the HECO companies.
 - b. Whether the proposed transaction, if approved, provides significant, quantifiable benefits to the HECO Companies' ratepayers in both the short and the long term beyond those proposed by the HECO Companies in recent regulatory filings.
 - c. Whether the proposed transaction will impact the ability of the HECO Companies' employees to provide safe, adequate, and reliable service at reasonable cost.

- d. Whether the proposed financing and corporate restructuring proposed in the application is reasonable.
 - e. Whether adequate safeguards exist to prevent cross subsidization of any affiliates and to ensure the Commission's ability to audit the books and records of the HECO Companies, including affiliate transactions.
 - f. Whether adequate safeguards exist to protect the HECO Companies' ratepayers from any business and financial risks associated with the operations of NextEra and/or any of its affiliates.
 - g. Whether the proposed transaction, if approved, will enhance or detrimentally impact the State's clean energy goals.
 - h. Whether the transfer, if approved, would potentially diminish competition in Hawaii's various energy markets and, if so, what regulatory safeguards are required to mitigate such adverse impacts.
- 2) Whether the applicants are fit, willing, and able to properly provide safe, adequate, and reliable electric service at the lowest reasonable cost in both the short and the long term.
- a. Whether the proposed transaction, if approved, will result in more affordable electric rates for the customers of the HECO Companies.
 - b. Whether the proposed transaction, if approved, will result in an improvement in service and reliability for the customers of the HECO Companies.
 - c. Whether the proposed transaction, if approved, will improve the HECO Companies' management and performance.
 - d. Whether the proposed transaction, if approved, will improve the financial soundness of the HECO Companies.
- 3) Whether the proposed transaction, if approved, would diminish, in any way, the Commission's current regulatory authority over the HECO Companies, particularly

in light of the fact that the ultimate corporate control of the HECO Companies will reside outside of the State.

- 4) Whether the financial size of the HECO Companies relative to NextEra's other affiliates would result in a diminution of regulatory control by the Commission.
- 5) Whether NextEra, Florida Power and Light, or any other affiliate has been subject to compliance or enforcement orders issued by any regulatory agency or court.
- 6) Whether any conditions are necessary to ensure that the proposed transaction is not detrimental to the interests of the HECO Companies' ratepayers or the State and to avoid any adverse consequences and, if so, what conditions are necessary.

Thank you for the opportunity to testify on these resolutions.



DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015

MONDAY, APRIL 6, 2015
2:30 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ANGUS L.K. McKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 227, H.D. 1 AND HOUSE RESOLUTION
NO. 158, H.D. 1 REQUESTING THE PUBLIC UTILITIES COMMISSION TO PROTECT
THE PUBLIC INTEREST IN REVIEWING THE PROPOSED ACQUISITION OF
HAWAIIAN ELECTRIC INDUSTRIES BY NEXTERA ENERGY, INC.

DESCRIPTION:

These resolutions request the Public Utilities Commission ("PUC") to protect the public interest in reviewing the proposed acquisition of Hawaiian Electric Industries by NextEra Energy, Inc.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports the intent of these resolutions and offers the following comments and concerns.

COMMENTS:

The Consumer Advocate appreciates the legislature's desire to make certain that the PUC specifically addresses key issues that the legislature deems to be important in the proposed acquisition of Hawaiian Electric Industries by NextEra Energy, Inc. H.C.R. 227, H.D. 1/H.R. 158, H.D. 1 and the PUC are aligned as to defining the issues that need to be considered in docket no. 2015-0022, In the Matter of the Application of Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., Maui Electric Company, Ltd., and NextEra Energy, Inc. For Approval of the Proposed Change of Control and Related Matters ("NextEra Application"). On March 2, 2015, the PUC issued Order No. 32695 that set forth an initial list of issues that are to be addressed in the NextEra Application docket as follows:

1. Whether the Proposed Transaction is in the public interest.
 - a. Whether approval of the Proposed Transaction would be in the best interests of the State's economy and the communities served by the HECO Companies.
 - b. Whether the Proposed Transaction, if approved, provides significant, quantifiable benefits to the HECO Companies' ratepayers in both the short and the long term beyond those proposed by the HECO Companies in recent regulatory filings.
 - c. Whether the proposed transaction will impact the ability of the HECO Companies' employees to provide safe, adequate, and reliable service at reasonable cost.
 - d. Whether the proposed financing and corporate restructuring proposed in the Application is reasonable.
 - e. Whether adequate safeguards exist to prevent cross subsidization of any affiliates and to ensure the commission's ability to audit the books and records of the HECO Companies, including affiliate transactions.

- f. Whether adequate safeguards exist to protect the HECO Companies' ratepayers from any business and financial risks associated with the operations of NextEra and/or any of its affiliates.
 - g. Whether the Proposed Transaction, if approved, will detrimentally impact the State's clean energy goals.
 - h. Whether the transfer, if approved, would potentially diminish competition in Hawaii's various energy markets and, if so, what regulatory safeguards are required to mitigate such adverse impacts.
- 2. Whether the Applicants are fit, willing, and able to properly provide safe, adequate, and reliable electric service at the lowest reasonable cost in both the short and the long term.
 - a. Whether the Proposed Transaction, if approved, will result in more affordable electric rates for the customers of the HECO Companies.
 - b. Whether the Proposed Transaction, if approved, will result in an improvement in service and reliability for the customers of the HECO Companies.
 - c. Whether the Proposed Transaction, if approved, will improve the HECO Companies' management and performance.
 - d. Whether the Proposed Transaction, if approved, will improve the financial soundness of the HECO Companies.
- 3. Whether the Proposed Transaction, if approved, would diminish, in any way, the commission's current regulatory authority over the HECO Companies, particularly in light of the fact that the ultimate corporate control of the HECO Companies will reside outside of the State.

4. Whether the financial size of the HECO Companies relative to NextEra's other affiliates would result in a diminution of regulatory control by the commission.
5. Whether NextEra, FPL, or any other affiliate has been subject to compliance or enforcement orders issued by any regulatory agency or court.
6. Whether any conditions are necessary to ensure that the Proposed Transaction is not detrimental to the interests of the HECO Companies' ratepayers or the State and to avoid any adverse consequences and, if so, what conditions are necessary.

Given the alignment of the issues identified by both the legislature in these resolutions and the PUC in its initial statement of the issues, the Consumer Advocate supports these resolutions.

The Consumer Advocate appreciates the support from the legislature in urging the PUC to adopt the Consumer Advocate's recommendation that the PUC establish a procedural schedule that would have the regulatory review process completed by June 2016. However, the Consumer Advocate wants the record to be clear that the Consumer Advocate did not request this support from the legislature. The PUC will make its decision on the procedural schedule based upon the record before it as briefed by the parties.

Thank you for this opportunity to testify.

woodson2-Rachel

From: mailinglist@capitol.hawaii.gov
Sent: Friday, April 03, 2015 10:13 PM
To: CPCtestimony
Cc: carl.campagna@kamakagreen.com
Subject: *Submitted testimony for HCR227 on Apr 6, 2015 14:30PM*

HCR227

Submitted on: 4/3/2015

Testimony for CPC on Apr 6, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Campagna	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2015 5:18 PM
To: CPCtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HCR227 on Apr 6, 2015 14:30PM*

HCR227

Submitted on: 4/1/2015

Testimony for CPC on Apr 6, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, April 04, 2015 8:02 PM
To: CPCtestimony
Cc: balihai7@hawaii.rr.com
Subject: Submitted testimony for HCR227 on Apr 6, 2015 14:30PM

HCR227

Submitted on: 4/4/2015

Testimony for CPC on Apr 6, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Lilinoe Smith	Individual	Comments Only	No

Comments: I am a Kaua`i resident and a solar advocate. I have solar panels on my roof, and I am most pleased. It's good for me and it's good for Hawai`i. Please support HCR 227. Mahalo, Lilinoe Smith Kalaheo, Kauai

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, April 04, 2015 10:08 PM
To: CPCtestimony
Cc: magonmaui@gmail.com
Subject: Submitted testimony for HCR227 on Apr 6, 2015 14:30PM

HCR227

Submitted on: 4/4/2015

Testimony for CPC on Apr 6, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Maggie Costigan	Individual	Support	No

Comments: My name is Maggie Costigan of Haiku, Maui, Hawaii and I support HCR 227, HD1. Considering the track record of, and the allegations against, NextEra, I do not believe that this company will act in the best interest of Hawaii's people or our 'aina. I encourage a thorough examination of NextEra's record and its practices. Aloha.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, April 05, 2015 4:27 PM
To: CPCtestimony
Cc: dtewabeach@gmail.com
Subject: Submitted testimony for HCR227 on Apr 6, 2015 14:30PM

LATE

HCR227

Submitted on: 4/5/2015

Testimony for CPC on Apr 6, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
David Thompson	Individual	Support	No

Comments: NextEra has been incredibly unsupportive of rooftop solar. Please keep them out of Hawaii.

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woodson2-Rachel

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, April 05, 2015 3:46 PM
To: CPCtestimony
Cc: silvag006@hawaii.rr.com
Subject: *Submitted testimony for HCR227 on Apr 6, 2015 14:30PM*

LATE

HCR227

Submitted on: 4/5/2015

Testimony for CPC on Apr 6, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Glenn Silva	Individual	Support	No

Comments:

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**Testimony before the House Committee
on Consumer Protection and Commerce**

**By Jim Alberts
Senior Vice President, Customer Service
Hawaiian Electric Company**

April 6, 2015

**House Resolution 158 and House Concurrent Resolution 227
Requesting the Public Utilities Commission to Protect the Public Interest in Reviewing
the Proposed Acquisition of Hawaiian Electric Industries by NextEra Energy**

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

My name is Jim Alberts, and I am testifying on behalf of the Hawaiian Electric Company and its subsidiaries, Hawaii Electric Light Company and Maui Electric Company. We support the intent of HR158 and HCR227. We provide these comments for your consideration.

The proposed resolution claims that Hawaiian Electric is seeking to prevent solar customers from interconnecting to the electrical grid unless the Public Utilities Commission (PUC) enacts sweeping policy reforms benefiting the utility. This is not true.

The Hawaiian Electric Companies were and are continuing to approve solar photovoltaic (PV) applications through the current net energy metering process. The companies are also making significant progress clearing pending applications on circuits that already have very high amounts of solar. Overall, more than 4,000 net energy metering applications have been approved since the beginning of the year across the five islands that the Hawaiian Electric Companies serve. This is in addition to the 51,000 existing systems that have made our companies a national leader when it comes to rooftop solar.

Hawaiian Electric has proposed a transitional program that would support the continued growth of rooftop solar while ensuring equity and a stable electric service for all customers. Our proposed transitional program is intended to benefit all customers and the solar industry by making solar programs more sustainable. That motion is before the PUC.

Thank you for the opportunity to testify on this matter.